

MINUTES OF THE
HIGHER EDUCATION APPROPRIATIONS SUBCOMMITTEE
WEDNESDAY, FEBRUARY 10, 2010, 2:00 P.M.
Room W020, House Building, State Capitol Complex

Members Present: Sen. John Valentine, Co-Chair
 Rep. Melvin R. Brown, Co-Chair
 Sen. J. Stuart Adams
 Rep. Johnny Anderson
 Sen. Ross I. Romero
 Sen. Steven H. Urquhart
 Rep. Trisha S. Beck
 Rep. Bradley M. Daw
 Rep. Kay L. McIff
 Rep. Carol Spackman Moss
 Rep. Evan J. Vickers
 Rep. C. Brent Wallis
 Rep. R. Curt Webb
 Rep. Mark A. Wheatley

Staff Present: Spencer Pratt, Fiscal Manager
 Lorna Wells, Secretary

Public Speakers Present: Mr. David Feitz, Utah Higher Education Assistance Authority
 William A. Sederburg, Commissioner of Higher Education
 Mike Hadden, Deputy Director, Utah Department of Corrections
 Boyd Garriott, Utah Education Network

A list of visitors and a copy of handouts are filed with the committee minutes.

1. Call to order - Committee Co-Chair Valentine called the meeting to order at 2:10 p.m.
2. Approval of Minutes.

MOTION: Rep. Webb moved to approve the corrected minutes of January 20, 2010.

The motion passed unanimously with Rep. Anderson and Sen. Adams absent for the vote.

MOTION: Rep. Wallis moved to approve the minutes of February 3, 2010 and February 4, 2010.

The motion passed unanimously with Rep. Anderson and Sen. Adams absent for the vote.

3. Utah Higher Education Assistance Authority (UHEAA) - David Feitz.
Mr. Feitz gave an overview of the UHEAA program. He explained the UHEAA Board leadership. UHEAA is Utah's major financial aid provider of student loans, grants, and scholarship programs. UHEAA has a \$2.1 billion outstanding student loan portfolio. Mr. Feitz discussed some of the services and outreach activities that UHEAA provides. The current operating budget of UHEAA is \$80 million with 183 employees. There are no state appropriations for UHEAA operating expenses. Mr. Feitz reported that the default rate at UHEAA is the lowest in the nation. He discussed some of the innovative approaches that they have used to encourage individuals to repay their student loans. Mr. Feitz reported that student loans are the largest source of financial aid. UHEAA also has had a record number of requests for student loans. Mr. Feitz discussed the fact that the recent banking problems have caused some difficulty for UHEAA to find money for the loans. He also discussed the

ability of students to repay these loans. Mr. Feitz reported that the U.S. House of Representatives did pass a bill that would require 100% of direct loan funding from federal sources. Mr. Feitz stated that the federal loan program is not the best answer for Utah. He discussed some of the disadvantages to Utah if this federal mandate is passed. All of the institutions are pursuing the ability to make these loans on their own campuses in the event that this legislation is passed. Mr. Feitz discussed how the current economic situation has negatively impacted UHEAA for the past two years. Mr. Feitz also discussed the UCOPE program which is a need-based financial aid program. UHEAA would like this Committee to find ways to fund more need-based programs.

Sen. Valentine asked if the federal mandate will be passed. Mr. Feitz reported that whether or not this mandate will be passed is very uncertain at this time. The uncertainty makes it very difficult for UHEAA to plan for the future.

Sen. Romero asked if Mr. Feitz knows the amount of credit card debt that is used to fund education. Mr. Feitz reported that they don't have exact data on this. However, many institutions have placed surcharges to make sure students are not using credit cards to finance education. It is acceptable to incur debt for education, but the debt should be through a student loan program. He noted that the Federal Government is assisting in funding some of these loans.

Rep. Moss asked about revenue sources for UHEAA. Mr. Feitz said that state money is used for some of the financial aid in the UCOPE program. State dollars are not used for UHEAA operating expenses. Revenue from the interest on the student loans pays for UHEAA operating expenses.

Sen. Valentine asked what type of spread were they making before 2007 amendments, and what does your investment stream limited to now.

Mr. Feitz reported that this is complicated to answer. Some of the financing is taxable and some is tax exempt. On the tax-exempt financing, UHEAA is limited to two percent before expenses; and on the taxable earnings there is not a limit other than the market-driven limits. Some of the interest rates on the bonds have actually exceeded the amount of earnings of the student loans because of the downturn in the economy.

Rep. Beck reported that sometimes a family might use credit card as simply a convenient way to pay or as a way to earn credit card bonus points. She does not advocate using credit cards as a way to finance a student's education.

Rep. Vickers asked what tools are used to educate high school juniors, seniors and parents about the student loan program. Mr. Feitz said that the Utah Futures web site and the Outreach program that is part of the SEOP program is required for all high school students in the state explains these options.

4. Summary Report from Commissioner's Office. Commissioner Sederburg discussed a report on the Board of Regents Budget from the Commissioner's Office. Mr. Sederburg thanked the Committee for their support.
5. Committee Discussion, Prioritization and Final Votes.

Mr. Pratt distributed a handout entitled "Higher Education Appropriations Subcommittee 2010 General Session"

Mr. Pratt discussed Lines 1-3 which are three specific actions that the committee has taken to date. He then listed four actions (Lines 4 - 7) which were approved by the Executive Appropriations Committee (EAC) on February 9, 2010. Mr. Pratt then explained Lines 8 - 23 which are action that may be considered by the Committee.

Rep. Beck asked for clarification for Line 17. The EAC reduced the 4% cut to the UEN budget for FY 2010. Rep. Beck asked if intent language is needed for FY 2011 to ensure the UEN has the matching funds available for the proposed grant. Mr. Pratt reported that the intent language for FY 2011 will remain in tact.

Rep. Wheatley asked for clarification for Line 19 regarding the transfer of funds to the Department of Corrections.

Mr. Hadden reported that inmate education is critical to keep the Department of Corrections operations safe and secure. Mr. Hadden reported that the statute was drafted specifically so that these funds are only used for educational programs. Mr. Hadden stated that inmate education has not been cut with all of the FY 2010 and FY 2011 budget cuts. The Department of Corrections has found that the certificate-based programs are more successful for the inmates. The open enrollment programs are very important. The Department of Corrections is working with Snow College and many of the ATCs. They look at employment opportunities and then determine which programs will be offered based on these employment projections.

Rep. Wheatley asked what happened to about a million dollars of equipment that SLCC had at the prison. Mr. Hadden said they used approximately \$300,000 to get equipment up and running at the various sites. The offenders have to pay for 50% of the cost of the education, which is somewhere between \$1,000 and \$2,000.

Rep. McIff asked if some of this money did go to the colleges and ATCs who are providing the training. Mr. Hadden said that the \$300,000 came out of the \$1.5 million from the inmate telephone surcharge account. All of the remaining funds will be used for the inmate education programs. The Department of Corrections has made contracts with the ATCs and other institutions.

MOTION: Rep. Brown moved to approve a FY 2010 one-time reduction for Snow College in the amount of \$113,100 for O & M that will not be needed due to the delay in the library's completion.

The motion passed unanimously with Sens. Adams, Urquhart and Rep. Vickers absent for the vote.

MOTION: Rep. Brown moved to approve a one-time FY 2011 allocation of \$138,700 to the University of Utah for O & M at the renovated Nursing Building. The funding comes from other O & M one-time reductions.

The motion passed unanimously with Sens. Adams, Urquhart and Rep. Vickers absent for the vote.

MOTION: Rep. Brown moved to approve a one-time FY 2011 reduction for the University of Utah in the amount of \$656,300 for O & M at the Utah Museum of Natural History.

The motion passed unanimously with Sens. Adams, Urquhart and Rep. Vickers absent for the vote.

MOTION: Rep. Brown moved to approve a one-time FY 2011 reduction for the University of Utah in the amount of \$1,055,100 for O & M at the Business School Replacement.

The motion passed unanimously with Sens. Adams, Urquhart and Rep. Vickers absent for the vote.

MOTION: Rep. Brown moved to approve a one-time FY 2011 reduction for Southern Utah University in the amount of \$324,400 for O & M at the Gibson Science Center.

The motion passed unanimously with Sens. Adams and Urquhart absent for the vote.

MOTION: Rep. Brown moved a one-time FY 2011 reduction for Salt Lake Community College in the amount of \$141,400 for O & M at the Digital Design/Communications Center.

The motion passed unanimously with Sens. Adams and Urquhart absent for the vote.

MOTION: Rep. Brown moved to approve a one-time FY 2010 allocation of \$19,400 to the Uintah Basin ATC for O & M at the Vernal Building. The funding comes from other O & M one-time reductions.

The motion passed unanimously with Sens. Adams and Urquhart absent for the vote.

MOTION: Rep. Brown moved to approve a one-time FY 2011 reduction for Mountainland ATC in the amount of \$214,100 for O & M at the North Utah County Campus Building.

The motion passed unanimously with Sens. Adams and Urquhart absent for the vote.

MOTION: Rep. Brown moved to approve a one-time FY 2011 reduction for Ogden/Weber ATC in the amount of \$408,200 for O & M at the Health Technology Building.

The motion passed unanimously with Sens. Adams and Urquhart absent for the vote.

MOTION: Rep. Brown moved to delete the intent language that was approved by the Subcommittee on January 20, 2010 requesting that FY 2010 reductions for the Utah Education Network should be minimized. The actions of the Executive Committee yesterday remove any need for such language.

Rep. Beck asked for clarification regarding the additional funds. Sen. Valentine would recommend a motion be placed at the end of the meeting regarding prioritization.

The motion passed unanimously with Sens. Adams and Urquhart absent for the vote.

MOTION: Rep. Brown moved to transfer \$498,000 from Utah State University's Education and General line item to its Tooele Regional Campus line item. This corrects action taken by the Subcommittee on January 28, 2010, when that funding was transferred to the Education and General line item.

The motion passed unanimously with Sens. Adams and Urquhart absent for the vote.

MOTION: Rep. Brown moved to recommend the transfer of \$423,700 from the State Board of Regents' Prison Recidivism program to the Department of Corrections' Programming Education line item.

The motion passed with Rep. Wallis voting against the motion and Sens. Adams and Urquhart absent for the vote.

MOTION: Rep. Brown moved to approve the Vehicle Expansion requests as presented to the Subcommittee on February 8, 2010 including:

Utah State University	2 - 4x4 Pickups
Southern Utah University	1 - small truck, 1-van, 1-bus
College of Eastern Utah	1 - semi
Salt Lake Community College	2 - vehicles, 9 forklifts, 3 freightlines (not expansion - new to report only)
Salt Lake Community College	1 - van, 1 - bus

The motion passed unanimously with Sens. Adams and Urquhart absent for the vote.

MOTION: Rep. Brown moved the transfer of \$370,400 from UCAT Custom Fit budget to Salt Lake Community College Education and General budget, to reflect existing allocations that changed with the UCAT merger last year.

The motion passed unanimously with Sens. Adams and Urquhart absent for the vote.

MOTION: Rep. Brown moved to approve \$3 million in ARRA authorization for Salt Lake Community College so it is not in conflict with intent language approved during the 2009 General Session regarding ARRA funds.

The motion passed with Rep. Daw voting against the motion and Sens. Adams and Urquhart absent for the vote.

Sen. Valentine informed the Committee that the next motion is in regard to prioritization. He stated that as the Committee sets prioritizations that the EAC may choose to fund these prioritizations first of any new monies that it gives back to the Committee. This would make these prioritizations a higher priority than the institutions. Sen. Valentine wanted to make sure the Executive Appropriations Committee recognizes this.

MOTION: Rep. Brown moved to put \$385,000 on a prioritization list for additional funds for the buyout of the lease for the Lean Manufacturing program at Ogden Weber ATC. This prioritization is for additional funds only and not at the expense of current Higher Education funding.

The motion passed unanimously with Sens. Adams and Urquhart absent for the vote.

Rep. Beck asked Mr. Garriott to explain UEN's request regarding the funds necessary for the matching grant. Mr. Garriott said that UEN would like to preserve their FY 2010 budget.

MOTION: Rep. Beck made the motion that if additional funds become available, that the UEN budget be restored back to the FY 2010 budget amount.

Rep. Vickers asked that if this motion is approved, would the Lean Manufacturing request for \$385,000 will be priority #1 and this would be priority #2? Rep. Vickers does agree that the UEN is a very worthy cause, but the Committee might want to look at other priorities.

SUBSTITUTE MOTION: Rep. Brown made the following substitute motion: If additional funds are made available by the EAC, this Committee be authorized to return and deal with the prioritization of that money.

Rep. Beck supported the substitute motion.

The motion passed unanimously with Sens. Adams, Urquhart, and Rep. Anderson absent for the vote.

Mr. Pratt asked if the \$385,000 is included in the substitute motion. Rep. Brown said that this amount was already approved, so it is not part of the substitute motion.

MOTION: Rep. Webb made the motion to adjourn.

The motion passed unanimously with Sens. Adams, Urquhart, and Rep. Anderson absent for the vote.

Committee Co-Chair Valentine adjourned the meeting at 3:35 p.m.

Minutes were reported by Lorna Wells, Secretary.

Sen. John Valentine, Committee Co-Chair

Rep. Melvin R. Brown, Committee Co-Chair